

Message Text

UNCLASSIFIED

PAGE 01 BONN 14985 01 OF 02 201818Z

53

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-03 INR-11

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 IO-14 SEC-03

DRC-01 /197 W

----- 092589

R 201805Z SEP 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5201

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 14985

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING SEPTEMBER 19

1. HERSTATT LOSSES REPORTEDLY FAR EXCEED ORIGINAL ESTIMATES. WESTDEUTSCHE LANDESBANK CHAIRMAN LUDWIG POUILLAIN HAS ESTIMATED THAT LOSSES FROM THE HERSTATT BANK FAILURE WILL BE AT LEAST DM 1.2 BILLION OR MORE THAN TWICE PREVIOUS ESTIMATES. THERE HAVE BEEN PRESS REPORTS THIS WEEK INDICATING THAT GERLING HAS BEEN UNDER CONSIDERABLE PRESSURE TO SELL PART OF HIS COMPLEX OF
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 14985 01 OF 02 201818Z

COMPANIES. THESE REPORTS MENTION THAT

A CONSORTIUM IS CONSIDERING TAKING OVER ON A TRUSTEESHIP BASIS A MAJORITY SHARE IN THE GERLING GROUP. AT THE FINANCE MINISTRY'S BEHEST THE GERMAN INSURANCE AUTHORITY HAS QUESTIONED THE ADEQUACY OF THE DM 60 MILLION CONSOLIDATED LIABLE CAPITAL OF THE GERLING INSURANCE GROUP AND SUGGESTED THAT GERLING RAISE THE LEVEL, REPORTEDLY BY DM 100 MILLION. THIS PROBABLY COULD BE ACCOMPLISHED ONLY THROUGH A SALE OF PART OF HIS INSURANCE HOLDINGS AND WOULD HAVE THE ADDITIONAL EFFECT OF PROVIDING LIQUIDITY FOR GERLING TO PAY MORE TO THOSE WHO SUFFERED LOSSES FROM HERSTATT. THERE ARE SOME PRESS REPORTS THAT GERLING IS NEAR AGREEMENT IN GUARANTEEING A COMPENSATION QUOTA OF 60 PERCENT TO PRIVATE CREDITORS OF HERSTATT AND 40 PERCENT TO THE INSTITUTIONAL CREDITORS (PRINCIPALLY BANKS).

2. FOREIGN EXCHANGE MARKET. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

		FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)	
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
SEPT 12	DM 2.6675	2.5	3.3
13	2.6652	2.7	3.5
16	2.665L	2.9	3.2
17	2.6535	2.0	2.7
18	2.6488	1.8	2.8
19	2.6515	2.0	2.6

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED THE WEAKEST CURRENCY. ALL FLOAT CURRENCIES WERE ABOVE THEIR DEUTSCHEMARK CENTRAL RATES AND THE DUTCH GUILDER AND THE NORWEGIAN CROWN WERE AT THEIR UPPER DEUTSCHEMARK INTERVENTION RATES, FORCING THE BUNDESBANK TO INTERVENE IN THESE CURRENCIES IN FAVOR OF THE DEUTSCHEMARK. NEWS DURING THE WEEK THAT HERSTATT LOSSES WERE FAR ABOVE THE INITIAL ESTIMATES WAS GIVEN AS A PARTIAL CAUSE IN THE WEAKNESS OF THE DEUTSCHEMARK.

3. MONEY MARKET. THE GERMAN MONEY MARKET CONTINUED UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 14985 01 OF 02 201818Z

TO REMAIN TIGHT. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
SEPT 12	9.0-9.2	9.2-9.5	9.4-9.7
13	9.0-9.2	9.2-9.5	9.4-9.7
16	9.0-9.2	9.2-9.5	9.4-9.7
17	9.0-9.2	9.2-9.5	9.4-9.7

18 9.O-9.2 9.2-9.5 9.4-9.7

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 14985 02 OF 02 201821Z

53

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-03 INR-11

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 IO-14 SEC-03

DRC-01 /197 W

----- 092622

R 201805Z SEP 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5202

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 02 BONN 14985

19 9.O-9.2 9.2-9.5 9.4-9.7

4. MONETARY RESERVES. IN THE SECOND WEEK OF SEPTEMBER (SEPT 8-15) BUNDESBANK MONETARY RESERVES DECLINED FURTHER (DM 0.5 BILLION) TO DM 87.7 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE DECLINED BY DM 164 MILLION WHILE GERMANY'S IMF GOLD TRANCHE POSITION INCREASED BY DM 16 MILLION AND GROSS LIABILITIES BY ABOUT DM 350

MILLION.

5. BANK LIQUIDITY. IN THE SECOND WEEK OF SEPTEMBER
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 14985 02 OF 02 201821Z

BANK LIQUIDITY INCREASED BY DM 1.6 BILLION. THE MAJOR FACTOR INCREASING LIQUIDITY WAS A DECLINE OF DM 3.0 BILLION IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK. THE USUAL DECLINE IN CURRENCY IN CIRCULATION IN THE SECOND WEEK OF A MONTH CONTRIBUTED (DM 0.7 BILLION). OTHER FACTORS INCREASED LIQUIDITY BY DM 0.3 BILLION, NET. THE MAJOR FACTORS REDUCING LIQUIDITY WERE TAX PAYMENTS WHICH INCREASED OFFICIAL NET ASSETS HELD AT THE BUNDESBANK BY DM 1.9 BILLION AND THE ABOVE-MENTIONED DECLINE IN BUNDESBANK MONETARY RESERVES. THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE LOMBARD CREDITS BY DM 1.8 BILLION BUT AT THE SAME TIME INCREASED REDISCOUNT BORROWINGS BY DM 0.2 BILLION.

6. BOND MARKET. COMPARED WITH THE PREVIOUS WEEK PRICES OF 8 PERCENT DOMESTIC BONDS DECLINED WHEREAS 7 AND 6 PERCENT DOMESTIC BONDS REMAINED RELATIVELY STABLE. THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

	8 PERCENT	7 PERCENT	6 PERCENT
SEPT 12	11.26	11.18	10.44
13	10.93	11.17	10.45
16	11.19	11.16	10.45
17	11.26	11.15	10.46
18	11.28	11.23	10.47
19	11.29	11.17	10.47

THE COMMONWEALTH OF AUSTRALIA IS CURRENTLY NEGOTIATING WITH THE DEUTSCHE BANK A.G. REGARDING A DM 200 MILLION LOAN. ACCORDING TO THE DEUTSCHE BANK, THE COUPON WILL BE 10 PERCENT, MATURITY 6 YEARS, NON-CALLABLE, THE ISSUE PRICE IS NOT YET FIXED. THE LOAN WILL BE OFFERED FOR SALE ON OCTOBER 1.
HILLENBRAND

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL PLANS, FINANCIAL PROGRAMS, CONSORTIUMS, BANKS, FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Draft Date: 20 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN14985
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740265-0212
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740929/aaaaaygi.tel
Line Count: 213
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2002 by maustmc>; APPROVED <18 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING SEPTEMBER 19
TAGS: EFIN, GE, (POULLAIN, LUDWIG)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005